

STAT

TO

FROM: WPB/DFM

DATE 3 September 1975

SUBJECT: Taxation of Overseas Allowances

SUSPENSE DATE 1 September 1975

NOTE: OMB has asked for our comments on the letter of Secretary Kissinger to OMB Director James Lynn on the question of taxation of overseas allowances for U.S. Government employees. There is no such bill at this time; however, legislation was introduced in the 93rd Congress to tax these allowances, and the Ways and Means Committee is set to consider this question this fall. Unrelated to this request, the Director wrote to Director Lynn on 8 August 1975 (letter attached) endorsing the views of Secretary Kissinger in a letter to Secretary Simon. I called Hilda Schreiber at OMB, hoping Mr. Colby's letter would satisfy this requirement, but was told it would not. OMB is quite concerned about favorable committee action on the proposal to tax these allowances, in light of the fact that Treasury seems to be supporting such a plan. OMB wanted additional arguments on the points mentioned in the legislative referral memorandum.

We typed the letter in final because reviewed it last week and we have made a couple of changes to meet his suggestions.

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COORDINATED WITH (list names as well as offices):

STAT

Name

DDA

STAT

Janney

Office

DDO

Personnel

STAT

Name

Name

Office

Finance

Comptroller

Office

ACTION REQUIRED BY GLC: Sign letter to OMB